



Financial Statements  
December 31, 2012  
**City of Pierre**

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## **Independent Auditor's Report**

The City Commission  
City of Pierre  
Pierre, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit, which statements reflect total assets of \$1,440,463 as of June 30, 2012, and total revenues of \$713,114 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota, as of December 31, 2012, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Restatement and Reissuance**

As discussed in Note 22, subsequent to the issuance of City of Pierre 2012 financial statements and our report thereon dated September 27, 2013, we became aware that those financial statements overstated revenue and understated revenue collected in advance in the general fund, improperly excluded federal revenue and related expense in the capital improvement fund, and overaccrued due from federal and state government and related grant revenue in the airport fund. Adjustments have been made to the financial statements and supplementary information to correct these errors. In our original report we expressed an unmodified opinion on the 2012 financial statements, and our opinion on the reissued statements, as expressed herein, remains unmodified.

### **Correction of Errors**

As discussed in Note 19 to the financial statements, certain errors resulting in understatement of amounts previously reported for grants receivable and grant revenue as of December 31, 2011, were discovered by management of the City during the current year. Accordingly, an adjustment has been made to the beginning net position of the airport fund and business-type activities as of December 31, 2011, to correct the error. In addition, certain errors resulting in overstatement of previously reported landfill closure liability and expense as of December 31, 2011 were discovered by management in the current year. Accordingly, an adjustment has been made to the beginning net position of the landfill fund and business-type activities as of December 31, 2011 to correct the error. In addition, a certain error resulting in an understatement of previously reported governmental activities long-term debt as of December 31, 2011 was discovered by management in the current year. Accordingly, an adjustment has been made to the beginning net position of the governmental activities as of December 31, 2011 to correct this error. In addition, a certain error resulting in an overstatement of previously reported accrued liabilities as of December 31, 2011 was discovered by management in the current year. Accordingly, an adjustment has been made to the beginning fund balance of the capital improvement fund as of December 31, 2011 to correct this error. Our opinions are not modified with respect to these matters.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and budgetary comparison information on pages 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pierre, South Dakota's financial statements. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of passenger facility charges are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2013 on our consideration of City of Pierre, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota

September 27, 2013, except for Note 22, for which the date is January 20, 2015

City of Pierre  
Statement of Net Position—Exhibit I  
December 31, 2012

	Primary Government			Component Unit
	Governmental	Business-Type		Housing and
	Activities	Activities	Total	Redevelopment
	(Restated)	(Restated)	(Restated)	Commission
<b>Assets</b>				
Cash and cash equivalents	\$ 2,976,758	\$ 6,423,544	\$ 9,400,302	\$ 124,835
Investments	1,858,843	1,038,595	2,897,438	445,752
Receivables	1,279,222	2,283,620	3,562,842	2,045
Inventories	200,089	1,747,938	1,948,027	2,463
Deferred charges	57,964	207,261	265,225	-
Other assets	161,437	-	161,437	14,259
Restricted assets:				
Cash and cash equivalents	341,269	552,198	893,467	157,838
Investments	615,939	14,237,289	14,853,228	-
Deposits	247,374	-	247,374	-
Capital assets:				
Land and construction in process	11,742,886	4,963,227	16,706,113	80,645
Other capital assets, net of depreciation	33,752,987	63,708,118	97,461,105	612,626
	<u>\$ 53,234,768</u>	<u>\$ 95,161,790</u>	<u>\$ 148,396,558</u>	<u>\$ 1,440,463</u>
<b>Liabilities</b>				
Accounts payable	\$ 508,097	\$ 2,394,000	\$ 2,902,097	\$ 6,202
Accrued interest	146,797	103,723	250,520	-
Other current liabilities	306,502	545,497	851,999	15,796
Noncurrent liabilities:				
Landfill closure and post closure costs	-	436,315	436,315	-
Due within one year	1,328,990	1,267,337	2,596,327	3,760
Due in more than one year	7,972,246	19,768,601	27,740,847	3,075
	<u>10,262,632</u>	<u>24,515,473</u>	<u>34,778,105</u>	<u>28,833</u>
<b>Net Position</b>				
Net investment in capital assets	36,524,637	47,946,190	84,470,827	693,271
Restricted for:				
Construction	-	12,518,105	12,518,105	-
Housing assistance payments - component	-	-	-	157,838
Debt service	902,743	1,779,227	2,681,970	-
Cemetery	54,464	-	54,464	-
Landfill closure and post closure	-	55,315	55,315	-
Public assurance alliance	247,374	-	247,374	-
Storm drainage	472,088	-	472,088	-
Library	339,891	-	339,891	-
911 purposes	260,693	-	260,693	-
Other purposes	4,900	-	4,900	-
Unrestricted	4,165,346	8,347,480	12,512,826	560,521
	<u>42,972,136</u>	<u>70,646,317</u>	<u>113,618,453</u>	<u>1,411,630</u>
	<u>\$ 53,234,768</u>	<u>\$ 95,161,790</u>	<u>\$ 148,396,558</u>	<u>\$ 1,440,463</u>

City of Pierre  
Statement of Activities–Exhibit II  
Year Ended December 31, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Housing and Redevelopment Commission
	Expenses (Restated)	Charges for Services (Restated)	Operating Grants and Contributions	Capital Grants and Contributions (Restated)	Governmental Activities (Restated)	Business-Type Activities (Restated)	Total (Restated)	
Primary Government								
Governmental activities:								
General government	\$ 5,026,139	\$ 3,438,905	\$ -	\$ -	\$ (1,587,234)	\$ -	\$ (1,587,234)	\$ -
Public safety	3,486,743	144,366	17,387	-	(3,324,990)	-	(3,324,990)	-
Public works	3,701,601	343,821	375,743	553,728	(2,428,309)	-	(2,428,309)	-
Health and welfare	146,617	-	14,000	53,760	(78,857)	-	(78,857)	-
Culture and recreation	4,399,879	167,953	281,407	1,535,559	(2,414,960)	-	(2,414,960)	-
Conservation and development	813,704	-	-	-	(813,704)	-	(813,704)	-
Intergovernmental	463,717	-	-	-	(463,717)	-	(463,717)	-
*Interest on long-term debt	360,390	-	-	-	(360,390)	-	(360,390)	-
Total governmental activities	18,398,790	4,095,045	688,537	2,143,047	(11,472,161)	-	(11,472,161)	-
Business-type activities:								
Water	1,993,455	2,878,161	-	-	-	884,706	884,706	-
Electric	11,871,037	14,416,727	-	9,400	-	2,555,090	2,555,090	-
Waste water	2,391,554	2,586,607	-	-	-	195,053	195,053	-
Airport	1,901,688	253,517	-	6,231,282	-	4,583,111	4,583,111	-
Garbage	125,612	84,618	-	-	-	(40,994)	(40,994)	-
Landfill	1,301,449	1,154,443	-	149,383	-	2,377	2,377	-
Total business-type activities	19,584,795	21,374,073	-	6,390,065	-	8,179,343	8,179,343	-
Total primary government	\$ 37,983,585	\$ 25,469,118	\$ 688,537	\$ 8,533,112	(11,472,161)	8,179,343	(3,292,818)	-
Component Unit								
Housing and Redevelopment Commission	\$ 978,267	\$ 116,749	\$ 570,933	\$ -				(290,585)
General Revenues								
Taxes:								
Property taxes					2,878,818	-	2,878,818	-
Sales taxes					7,347,326	-	7,347,326	-
State shared revenue					154,851	-	154,851	-
County shared revenue					167,709	-	167,709	-
Unrestricted investment earnings					17,877	41,112	58,989	5,378
Other general revenues					172,691	-	172,691	20,054
Transfers					(1,592,272)	1,592,272	-	-
Extraordinary item (see Note 20)					387,077	(645,954)	(258,877)	-
Loss on disposal of fixed assets					(171,756)	(86,443)	(258,199)	-
Total general revenues, transfers, extraordinary item and loss on disposal of fixed assets					9,362,321	900,987	10,263,308	25,432
Change in Net Position					(2,109,840)	9,080,330	6,970,490	(265,153)
Net Position - Beginning, as previously stated					45,405,358	60,950,346	106,355,704	1,676,783
Correction of errors (see Note 19)					(323,382)	615,641	292,259	-
Net Position - Beginning, as restated					45,081,976	61,565,987	106,647,963	1,676,783
Net Position - Ending					\$ 42,972,136	\$ 70,646,317	\$ 113,618,453	\$ 1,411,630

\* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt.



City of Pierre  
Balance Sheet—Governmental Funds—Exhibit III  
December 31, 2012

	General Fund (Restated)	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds (Restated)
<b>Assets</b>				
Cash and cash equivalents	\$ 1,089,404	\$ 382,207	\$ 1,279,096	\$ 2,750,707
Investments	1,559,298	-	299,545	1,858,843
Taxes receivable, delinquent	55,290	-	-	55,290
Accounts receivable, net	84,505	-	48,730	133,235
Unbilled accounts receivable	-	-	14,713	14,713
Special assessments receivable, delinquent	3,949	-	-	3,949
Interest receivable, special assessments	1,279	-	-	1,279
Due from other government	476,116	393,212	57,843	927,171
Interest receivable	82	-	48,966	49,048
Inventory of supplies	200,089	-	-	200,089
Deposits	247,374	-	-	247,374
Prepaid expenses	161,437	-	-	161,437
Restricted cash and cash equivalents	-	66,257	275,012	341,269
Restricted investments	-	402,000	213,939	615,939
	<u>\$ 3,878,823</u>	<u>\$ 1,243,676</u>	<u>\$ 2,237,844</u>	<u>\$ 7,360,343</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 199,990	\$ 44,903	\$ 221,003	\$ 465,896
Revenue collected in advance	92,081	-	292	92,373
Deferred revenue	158,272	97,754	17,981	274,007
<b>Total liabilities</b>	<u>450,343</u>	<u>142,657</u>	<u>239,276</u>	<u>832,276</u>
<b>Fund Balances</b>				
Nonspendable	608,900	-	-	608,900
Restricted	-	468,257	1,566,522	2,034,779
Committed	-	282,762	432,046	714,808
Assigned	967,019	350,000	-	1,317,019
Unassigned	1,852,561	-	-	1,852,561
<b>Total fund balances</b>	<u>3,428,480</u>	<u>1,101,019</u>	<u>1,998,568</u>	<u>6,528,067</u>
	<u>\$ 3,878,823</u>	<u>\$ 1,243,676</u>	<u>\$ 2,237,844</u>	<u>\$ 7,360,343</u>

City of Pierre

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Year Ended December 31, 2012

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	<u>Total</u> <u>(Restated)</u>
Total Fund Balances - Governmental Funds	\$ 6,528,067
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	45,495,873
Long-term liabilities, including bonds payable, capital leases payable, accrued leave payable and accrued other post-employment benefits are not due and payable in the current period and; therefore, are not reported in the funds.	(9,301,236)
Taxes collected after year-end, but not available soon enough to pay for current period expenditures	274,007
Payables for interest are recognized as expenses on the economic full accrual economic resources measurement focus presented in the government-wide financial statements but are not recognized generally until paid, which is recognized when due on the modified accrual current financial resources measurement focus presented in the fund financial statements.	(146,797)
Deferred charges on long-term debt is not recorded in the funds statement because it is on the modified accrual basis of accounting.	57,964
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>64,258</u>
Net Position - Governmental Funds	<u><u>\$ 42,972,136</u></u>

City of Pierre

Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV  
Year Ended December 31, 2012

	General Fund (Restated)	Capital Improvement Fund (Restated)	Other Governmental Funds	Total Governmental Funds (Restated)
Revenues				
Taxes:				
General property taxes	\$ 2,525,696	\$ -	\$ 105,379	\$ 2,631,075
General sales and use taxes	3,438,701	3,438,716	469,909	7,347,326
911 Telephone surcharge	-	-	208,536	208,536
Penalties and interest on delinquent taxes	3,439	-	-	3,439
Licenses and permits	250,647	-	-	250,647
Intergovernmental revenue:				
Federal grants	546,020	1,535,559	-	2,081,579
State grants	32,000	53,760	-	85,760
State shared revenues:				
Bank franchise tax	66,508	-	-	66,508
Liquor tax reversion	88,343	-	-	88,343
Motor vehicle licenses (5%)	87,739	-	-	87,739
Local government highway and bridge fund	288,004	-	-	288,004
County shared revenues:				
County road tax (25%)	6,004	-	-	6,004
Other	11,028	-	150,677	161,705
Other intergovernmental revenues	36,212	-	-	36,212
Charges for goods and services:				
General government	1,520,908	-	38,694	1,559,602
Public safety	17,306	-	127,060	144,366
Highways and streets	-	-	315,498	315,498
Culture and recreation	148,342	-	19,611	167,953
Cemetery	28,323	-	-	28,323
Fines and forfeits:				
Court fines and costs	4,109	-	-	4,109
Library	-	-	5	5
Parking meter fines	1,910	-	-	1,910
Miscellaneous revenues:				
Investment earnings	5,733	8,115	3,527	17,375
Rentals	11,950	-	-	11,950
Special assessments	25,542	-	-	25,542
Contributions from private sources	61,754	-	201,417	263,171
Other	128,552	-	1,903	130,455
Total revenues	<u>9,334,770</u>	<u>5,036,150</u>	<u>1,642,216</u>	<u>16,013,136</u>

City of Pierre

Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV  
Year Ended December 31, 2012

	General Fund (Restated)	Capital Improvement Fund (Restated)	Other Governmental Funds	Total Governmental Funds (Restated)
Expenditures				
General government:				
Legislative	202,627	-	-	202,627
Elections	1,450	-	-	1,450
Financial administration	1,487,981	-	-	1,487,981
Other	1,354,011	-	108,324	1,462,335
Public safety:				
Police	2,227,557	-	540,682	2,768,239
Fire	306,600	-	-	306,600
Public works:				
Highways and streets	1,042,157	90,047	730,901	1,863,105
Sanitation	-	154,565	-	154,565
Cemeteries	178,931	-	-	178,931
Transit	511,397	-	-	511,397
Health and welfare:				
Health	79,008	-	-	79,008
Ambulance	-	61,892	-	61,892
Culture and recreation				
Recreation	457,993	750	8,109	466,852
Parks	979,090	1,667,096	-	2,646,186
Libraries	599,206	26,999	4,511	630,716
Auditorium	524	-	-	524
Conservation and development:				
Economic development	640,579	-	173,125	813,704
Debt service	52,493	759,853	331,824	1,144,170
Intergovernmental	463,717	-	-	463,717
Capital outlay	1,301,373	1,702,224	119,633	3,123,230
Total expenditures	<u>11,886,694</u>	<u>4,463,426</u>	<u>2,017,109</u>	<u>18,367,229</u>
Excess of Revenue over (under) Expenditures	<u>(2,551,924)</u>	<u>572,724</u>	<u>(374,893)</u>	<u>(2,354,093)</u>
Other Financing Sources (Uses)				
Transfers in	2,460,732	-	1,046,283	3,507,015
Sale of City property	125,523	-	-	125,523
Long-term debt issued	-	107,743	-	107,743
Transfers out	<u>(1,796,567)</u>	<u>(3,302,720)</u>	<u>-</u>	<u>(5,099,287)</u>
Total other financing sources (uses)	<u>789,688</u>	<u>(3,194,977)</u>	<u>1,046,283</u>	<u>(1,359,006)</u>
Extraordinary Item (see Note 20)	<u>599,713</u>	<u>(212,636)</u>	<u>-</u>	<u>387,077</u>
Net Change in Fund Balances	(1,162,523)	(2,834,889)	671,390	(3,326,022)
Fund Balance - Beginning as previously stated	<u>4,591,003</u>	<u>3,872,325</u>	<u>1,327,178</u>	<u>9,790,506</u>
Correction of Error (See Note 19)	<u>-</u>	<u>63,583</u>	<u>-</u>	<u>63,583</u>
Fund Balance - Beginning, as restated	<u>4,591,003</u>	<u>3,935,908</u>	<u>1,327,178</u>	<u>9,854,089</u>
Fund Balance - Ending	<u>\$ 3,428,480</u>	<u>\$ 1,101,019</u>	<u>\$ 1,998,568</u>	<u>\$ 6,528,067</u>

City of Pierre

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-  
Wide Statement of Activities  
Year Ended December 31, 2012

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	<u>Total</u> (Restated)
Net Change in Fund Balances - Total Governmental Funds	\$ (3,326,022)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	898,967
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	865,566
Proceeds of long-term debt are reported as revenues in the funds statements, but are liabilities in the statement of activities.	(107,743)
In the statement of activities gains and losses on disposal of capital assets are reported, whereas in the fund financial statements, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(297,279)
Accrued interest reported in the statement of activities does not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.	(81,786)
Property tax revenues and special assessments are reported in the period to be financed by the property tax levy or special assessments for both the governmental funds and the governmental activities, but in the funds statement, any amounts that are not "available" are offset with deferred revenue.	35,768
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	25,331
Governmental funds do not reflect the change in accrued leave or other post-employment benefits, but the statement of activities reflects the change in these liabilities through expenditures.	(39,863)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service funds is reported with governmental activities.	(73,119)
Debt issue cost is deferred in the activities statement	<u>(9,660)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (2,109,840)</u></u>

City of Pierre  
Balance Sheet–Proprietary Funds–Exhibit V  
December 31, 2012

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund (Restated)	Other Enterprise Funds	Totals (Restated)	Internal Service Funds
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,752,533	\$ 3,238,778	\$ 549,751	\$ 99	\$ 882,383	\$ 6,423,544	\$ 226,051
Investments	-	1,038,595	-	-	-	1,038,595	-
Accounts receivable, net	76,760	685,899	99,957	35,764	71,553	969,933	94,537
Unbilled accounts receivable	82,442	639,327	128,705	-	4,399	854,873	-
Notes receivable	-	12,831	-	-	-	12,831	-
Due from federal/state government	-	-	-	445,341	-	445,341	-
Interest receivable	-	642	-	-	-	642	-
Inventory of supplies	507,152	1,071,954	-	42,608	108,242	1,729,956	-
Inventory of stores purchased for resale	-	-	-	-	17,982	17,982	-
Total current assets	<u>2,418,887</u>	<u>6,688,026</u>	<u>778,413</u>	<u>523,812</u>	<u>1,084,559</u>	<u>11,493,697</u>	<u>320,588</u>
Noncurrent Assets							
Restricted cash and cash equivalents	60,568	-	-	-	491,630	552,198	-
Restricted investments	-	13,682,832	554,457	-	-	14,237,289	-
Deferred charges	-	207,261	-	-	-	207,261	-
Capital assets:							
Land	9,092	1,450	49,434	235,889	2,408,898	2,704,763	-
Buildings	734,809	1,360,358	16,522,657	21,118,971	2,966,783	42,703,578	-
Improvements	10,870,117	15,044,429	6,915,482	15,974,046	264,926	49,069,000	-
Machinery and equipment	1,478,867	1,104,990	1,259,088	2,014,039	2,401,588	8,258,572	-
Construction in progress	-	2,258,464	-	-	-	2,258,464	-
Less accumulated depreciation	(4,585,006)	(6,633,127)	(12,462,372)	(10,550,643)	(2,091,884)	(36,323,032)	-
Total noncurrent assets	<u>8,568,447</u>	<u>27,026,657</u>	<u>12,838,746</u>	<u>28,792,302</u>	<u>6,441,941</u>	<u>83,668,093</u>	<u>-</u>
	<u>\$ 10,987,334</u>	<u>\$ 33,714,683</u>	<u>\$ 13,617,159</u>	<u>\$ 29,316,114</u>	<u>\$ 7,526,500</u>	<u>\$ 95,161,790</u>	<u>\$ 320,588</u>

City of Pierre  
Balance Sheet–Proprietary Funds–Exhibit V  
December 31, 2012

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund (Restated)	Other Enterprise Funds	Totals (Restated)	Internal Service Funds
Liabilities							
Current Liabilities							
Accounts payable	\$ 64,516	\$ 1,993,494	\$ 108,668	\$ 204,306	\$ 23,016	\$ 2,394,000	\$ 42,201
Incurred but not reported claims	-	-	-	-	-	-	214,129
Accrued interest payable	3,540	34,758	65,425	-	-	103,723	-
Accrued taxes payable	71	53,925	11	40	1,386	55,433	-
Customer deposits	-	468,879	-	25	-	468,904	-
Revenue collected in advance	2,314	15,554	2,284	893	100	21,145	-
Deferred revenue	-	-	15	-	-	15	-
Bonds payable current:							
Revenue	193,337	330,000	600,000	-	-	1,123,337	-
Total current liabilities	263,778	2,896,610	776,403	205,264	24,502	4,166,557	256,330
Noncurrent Liabilities							
Bonds payable:							
Revenue	1,276,818	13,230,000	5,095,000	-	-	19,601,818	-
Accrued leave payable	44,030	94,620	81,200	15,153	75,780	310,783	-
Accrued landfill closure and postclosure costs	-	-	-	-	436,315	436,315	-
Total noncurrent liabilities	1,320,848	13,324,620	5,176,200	15,153	512,095	20,348,916	-
Net Position							
Net investment in capital assets	7,037,724	(423,436)	6,589,289	28,792,303	5,950,310	47,946,190	-
Restricted for:							
Bond debt service	60,568	1,164,202	554,457	-	-	1,779,227	-
Landfill closure/postclosure costs	-	-	-	-	55,315	55,315	-
Construction	-	12,518,105	-	-	-	12,518,105	-
Unrestricted	2,304,416	4,234,582	520,810	303,394	984,278	8,347,480	64,258
Total net position	9,402,708	17,493,453	7,664,556	29,095,697	6,989,903	70,646,317	64,258
	<u>\$ 10,987,334</u>	<u>\$ 33,714,683</u>	<u>\$ 13,617,159</u>	<u>\$ 29,316,114</u>	<u>\$ 7,526,500</u>	<u>\$ 95,161,790</u>	<u>\$ 320,588</u>

City of Pierre  
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI  
Year Ended December 31, 2012

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund (Restated)	Other Enterprise Funds	Totals (Restated)	Internal Service Funds
Operating Revenue							
Charges for goods and services	\$ 2,878,161	\$ 13,988,924	\$ 2,209,395	\$ 159,254	\$ 1,234,785	\$ 20,470,519	\$ 1,591,164
Revenue dedicated to servicing debt	-	-	373,503	-	-	373,503	-
Miscellaneous	-	380,823	-	12,634	2,619	396,076	-
Total operating revenue	2,878,161	14,369,747	2,582,898	171,888	1,237,404	21,240,098	1,591,164
Operating Expenses							
Personal services	569,282	705,678	445,736	297,956	620,099	2,638,751	1,284,601
Other current expenses	709,675	1,730,386	779,784	232,736	389,464	3,842,045	380,184
Materials (cost of goods sold)	320,230	8,058,849	239,648	101,991	162,794	8,883,512	-
Amortization	-	7,402	-	-	-	7,402	-
Depreciation	335,171	499,761	725,981	1,269,005	254,704	3,084,622	-
Total operating expenses	1,934,358	11,002,076	2,191,149	1,901,688	1,427,061	18,456,332	1,664,785
Operating Income (Loss)	943,803	3,367,671	391,749	(1,729,800)	(189,657)	2,783,766	(73,621)
Nonoperating Revenue (Expense)							
Capital grants	-	-	-	6,231,282	-	6,231,282	-
Investment earnings	2,463	34,151	1,487	-	3,011	41,112	502
Rental revenue	-	46,980	3,709	81,629	1,657	133,975	-
Interest expense	(59,097)	(868,961)	(200,405)	-	-	(1,128,463)	-
Gain (loss) on disposition of assets	(31,813)	(33,047)	(4,632)	(16,104)	(847)	(86,443)	-
Total nonoperating revenue (expense)	(88,447)	(820,877)	(199,841)	6,296,807	3,821	5,191,463	502
Income (Loss) Before Contributions, Transfers and Extraordinary Item	855,356	2,546,794	191,908	4,567,007	(185,836)	7,975,229	(73,119)
Capital contributions	-	9,400	-	-	149,383	158,783	-
Transfers in	3,217	-	227,000	3,508,916	329,005	4,068,138	-
Transfers out	-	(2,146,861)	(29,005)	-	(300,000)	(2,475,866)	-
Extraordinary item (see Note 20)	(18,093)	(400,264)	(225,525)	-	(2,072)	(645,954)	-
Change in Net Position	840,480	9,069	164,378	8,075,923	(9,520)	9,080,330	(73,119)
Net Position - Beginning, as previously stated	8,562,228	17,484,384	7,500,178	20,458,092	6,945,464	60,950,346	137,377
Correction of Errors (See Note 19)	-	-	-	561,682	53,959	615,641	-
Net Position - Beginning, as restated	8,562,228	17,484,384	7,500,178	21,019,774	6,999,423	61,565,987	137,377
Net Position - Ending	\$ 9,402,708	\$ 17,493,453	\$ 7,664,556	\$ 29,095,697	\$ 6,989,903	\$ 70,646,317	\$ 64,258

See Notes to Financial Statements



City of Pierre  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2012

	Enterprise Funds					
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals
						Internal Service Funds
Cash Flows from (used for) Operating Activities						
Receipts from customers	\$ 2,865,061	\$ 14,242,181	\$ 2,555,725	\$ 161,093	\$ 1,248,482	\$ 21,072,542
Payments to suppliers	(1,134,971)	(9,464,634)	(929,733)	(643,259)	(635,453)	(12,808,050)
Payments to employees	(553,603)	(703,819)	(444,207)	(299,030)	(612,341)	(2,613,000)
Net Cash from (used for) Operating Activities	1,176,487	4,073,728	1,181,785	(781,196)	688	5,651,492
Cash Flows from (used for) Noncapital Financing Activities						
Loans (to) from other funds	-	1,883,486	-	(1,715,221)	(168,265)	-
Transfers from other funds	-	-	227,000	3,508,916	300,000	4,035,916
Transfers to other funds	-	(2,143,644)	-	-	(300,000)	(2,443,644)
Extraordinary item - flood expenditures	(18,093)	(400,264)	(225,525)	-	(2,072)	(645,954)
Net Cash from (used for) Noncapital Financing Activities	(18,093)	(660,422)	1,475	1,793,695	(170,337)	946,318
Cash Flows from (used for) Capital and Related Financing Activities						
Capital contributions	-	-	-	-	-	-
Capital grants	-	-	-	6,347,623	-	6,347,623
Proceeds from sale of capital assets	(31,813)	(33,047)	(4,632)	(16,104)	-	(85,596)
Purchase of capital assets	(373,941)	(2,336,750)	(413,549)	(7,425,549)	-	(10,549,789)
Other receipts	-	46,471	3,709	81,630	1,658	133,468
Debt principal paid	(186,716)	(330,000)	(590,000)	-	-	(1,106,716)
Debt interest paid	(55,557)	(834,203)	(134,980)	-	-	(1,024,740)
Net Cash from (used for) Capital and Related Financing Activities	(648,027)	(3,487,529)	(1,139,452)	(1,012,400)	1,658	(6,285,750)
Cash Flows from (used for) Investing Activities						
Proceeds from sales and maturities of investments	-	1,016,040	-	-	-	1,016,040
Cash invested in reserve account	(60,568)	-	-	-	(9,021)	(69,589)
Cash received for interest	2,464	34,150	1,486	-	3,008	41,108
Net Cash from (used for) Investing Activities	(58,104)	1,050,190	1,486	-	(6,013)	987,559

City of Pierre  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2012

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
Net Change in Cash and Cash Equivalents	452,263	975,967	45,294	99	(174,004)	1,299,619	(198,621)
Balances - Beginning	1,300,270	2,262,811	504,457	-	1,056,387	5,123,925	424,672
Balances - Ending	<u>\$ 1,752,533</u>	<u>\$ 3,238,778</u>	<u>\$ 549,751</u>	<u>\$ 99</u>	<u>\$ 882,383</u>	<u>\$ 6,423,544</u>	<u>\$ 226,051</u>
Reconciliation of Operating Income (Loss) to net cash from (used for) operating activities:							
Operating income (loss)	\$ 943,803	\$ 3,367,671	\$ 391,749	\$ (1,729,800)	\$ (189,657)	\$ 2,783,766	\$ (73,621)
Adjustments to reconcile operating income to net cash from (used for) operating activities:							
Depreciation expense	335,171	507,163	725,981	1,269,005	254,704	3,092,024	-
Change in assets and liabilities:							
Receivables	(12,433)	(139,147)	(26,597)	143,358	11,114	(23,705)	(37,720)
Inventories	(105,833)	(427,408)	-	(17,410)	(116,298)	(666,949)	-
Accounts and other payables	100	747,948	89,123	(445,276)	33,067	424,962	(87,781)
Customer deposits	-	15,642	-	-	-	15,642	-
Accrued leave payable	15,679	1,859	1,529	(1,073)	7,758	25,752	-
Net Cash from (used for) Operating Activities	<u>\$ 1,176,487</u>	<u>\$ 4,073,728</u>	<u>\$ 1,181,785</u>	<u>\$ (781,196)</u>	<u>\$ 688</u>	<u>\$ 5,651,492</u>	<u>\$ (199,122)</u>
Noncash Investing, Capital and Financing Activities:							
Loss on disposal of capital assets not affecting operating income	\$ 31,813	\$ 33,047	\$ 4,632	\$ 16,104	\$ 847	\$ 86,443	\$ -
Capital contributions	-	-	-	-	149,383	149,383	-
Fixed asset additions included in payables at year end	-	407,085	-	154,154	-	561,239	-
Receipt of fixed assets donated from other funds	3,217	9,400	-	-	29,005	41,622	-
Donation of fixed assets to other funds	(23,011)	(14,937)	(29,005)	-	-	(66,953)	-

City of Pierre  
Statement of Net Position—Fiduciary Funds—Exhibit VIII  
December 31, 2012

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	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 15,608</u>
	<u><u>\$ 15,608</u></u>
Liabilities	
Accounts payable and other payables	\$ 9,075
Amounts held for other	<u>6,533</u>
	<u>15,608</u>
Net Position	<u>-</u>
	<u><u>\$ 15,608</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

### **A. Financial Reporting Entity**

The reporting entity of the City of Pierre (the City) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent of the City.

Financial statements of the Housing and Redevelopment Commission of the City of Pierre, SD are discretely presented in the accompanying financial statements under "component units". This financial information is as of and for the year ended June 30, 2012. The financial statements have been audited by other auditors. During the Commission's fiscal year ended June 30, 2012, the Commission incurred \$29,252 of utilities and internal service charges from different departments of the City of Pierre. The total amount due to the City of Pierre for these charges as of June 30, 2012 was \$3,656.

The component unit is a governmental unit formed to provide low income housing to residents of the City of Pierre.

The criteria for including the component unit in the financial reporting entity is that of control over the appointment of members of the governing board of the component unit. The City Commission appoints the board members of the component unit, thus having control over it. The City Commission has the statutory authority to approve or deny any proposed Commission housing Projects (SDCL 11-7-49 through 49.1, 11-7-53 and 11-7-78) and to approve or disapprove the Housing Commission's intent to issue long-term debt, by disapproving a proposed project to be so financed. (SDCL 11-7-53.2)

The component unit is reported using the accrual basis for accounting.

Separate financial statements for the component unit can be obtained from the City of Pierre Housing and Redevelopment Commission of Pierre, PO Box 937, Pierre South Dakota 57501.

The City participates in a cooperative unit for Exposition Building (Hughes County, Stanley County, and the City of Fort Pierre (see Note 17)). Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the City.

## **B. Basis of Presentation**

### **Government-Wide Statements**

The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on asset and liabilities within the governmental and business-type funds activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities which are presented as Internal Balances. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A above and may be classified as either governmental or business-type activities. See the discussion of individual component unit in Note 1 above.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### **Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the funds operations.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

**Capital Improvement Fund** – A fund established by ordinance to account for a portion of the City’s general sales tax. Proceeds from this tax are to be used for retiring capital improvement indebtedness for both Governmental and Business-Type Activity debt. This is a major fund.

The remaining Special Revenue Funds are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: Special Sales Tax Fund, Storm Drainage Fund, E911 Fund, Library Fund, Police Pistol Range Fund, Cable Access Fund, Special Recreation Fund, and Cities of Service Fund. These are not major funds.

**Permanent Funds** – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support the City’s programs – that is for the benefit of the City and its citizenry.

**Cemetery Perpetual Care Fund** – To account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

**Debt Service Funds** – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**TIF Funds** – To account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has three of these debt service funds (TIF #4, TIF #5, and TIF #6). These are not major funds.

### **Proprietary Funds**

**Enterprise Funds** – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds and of the government’s internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **Enterprise Funds**

The City reports the following major enterprise funds:

Water Fund – Financed primarily by user charges this fund accounts for the construction and operation of the City waterworks system and related facilities (SDCL 9-47-1).

Electric Fund – To account for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96).

Wastewater Fund – To account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

Airport Fund – To account for the acquisition, construction and operation of a municipal airport (SDCL 50-7-2).

The City reports the following non-major enterprise funds:

Garbage Fund – To account for the collection and disposal of solid waste from the City (SDCL 9-32-11 and 34A-6).

Landfill Fund – To account for the construction and operation of landfill operation for the City.

Internal Services Funds - Internal Services Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The Health Insurance Fund is the only internal service fund maintained by the City. Internal service funds are never considered to be major funds.

## **Fiduciary Funds**

Agency Funds – Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The majority of the Agency Funds account for the activity of the “Payroll Clearing Fund” and “Medical Reimbursement Clearing Fund”. Agency funds are never considered to be major funds.

## **C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

### **Measurement Focus**

#### **Government-Wide Financial Statements**

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

## **Fund Financial Statements**

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

### **Basis of Accounting**

#### **Government-Wide Financial Statements**

In the government-wide statement of net position and statement of activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

## **Fund Financial Statements**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City, the length of that cycle is 60 days. The revenues which are accrued at December 31, 2012 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

## **D. Interfund Eliminations and Reclassifications**

#### **Government-Wide Financial Statements**

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.



## **Fund Financial Statements**

Noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts) are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” since they are not a component of net current assets. Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources”.

## **E. Deposits and Investments**

For the purpose of financial reporting and the statement of cash flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

## **F. Capital Assets**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as “Improvements other than Buildings”.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with US GAAP, while for capital assets used in business-type activities/proprietary fund’s operations, construction period interest is capitalized in accordance with US GAAP.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-Wide Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend to useful life of a capital asset are also capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide statement of activities, with net capital assets reflected in the statement of net position. Accumulated depreciation is reported on the government-wide statement of net position and on each proprietary fund's statement of net position/balance sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	***	***	***
Buildings	\$ 5,000	Straight-line	40-99 years
Improvements other than buildings	5,000	Straight-line	10-25 years
Machinery and equipment	5,000	Straight-line	3-25 years
Infrastructure	5,000	Straight-line	25-50 years
Utilities, property and improvements	5,000	Straight-line	10-50 years

\*\*\*Land, an inexhaustible capital asset, is all capitalized and is not depreciated.

**Fund Financial Statements:** In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

## G. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, revenue bonds payable and capital leases.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

## H. Program Revenues

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. **Charges for Services** – These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. **Program-Specific Operating Grants and Contributions** – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.

3. Program-Specific Capital Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

#### **I. Proprietary Funds Revenue and Expense Classifications**

In the proprietary fund's statement of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

#### **J. Cash and Cash Equivalents**

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash equivalents for the purpose of the statement of cash flows.

#### **K. Restricted Assets**

Certain debt proceeds of the City's governmental and enterprise funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Also certain resources have been set aside to fund capital asset construction.

#### **L. Equity Classifications**

#### **Government-Wide Statements**

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

#### **Fund Financial Statements**

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

### **M. Application of Net Position**

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### **N. Fund Balance Classification Policies and Procedures**

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** - Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact. Nonspendable assets of the City also include the vested balance in the reserve fund of the South Dakota Public Assurance Alliance (see Note 3).
- **Restricted Fund Balance** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- **Unassigned Fund Balance** - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

A schedule of fund balances reported on the balance sheet of the governmental funds is provided as follows:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances				
Nonspendable:				
Public assurance alliance reserve	\$ 247,374	\$ -	\$ -	\$ 247,374
Inventory	200,089	-	-	200,089
Prepaid expenses	161,437	-	-	161,437
Restricted for:				
Storm drainage	-	-	472,088	472,088
Library	-	-	339,891	339,891
Cities of service grant	-	-	4,900	4,900
911	-	-	260,693	260,693
Debt service	-	468,257	434,486	902,743
Cemetery	-	-	54,464	54,464
Committed to:				
Capital improvements	-	282,762	-	282,762
Public safety	-	-	6,882	6,882
Culture and recreation	-	-	14,399	14,399
Special sales tax	-	-	410,765	410,765
Assigned to:				
Applied to next year's budget	134,000	350,000	-	484,000
Capital accumulations	833,019	-	-	833,019
Unassigned	1,852,561	-	-	1,852,561
Total fund balances	<u>\$ 3,428,480</u>	<u>\$ 1,101,019</u>	<u>\$ 1,998,568</u>	<u>\$ 6,528,067</u>

#### O. Recent Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will result in a reclassification of some financial statement line items on the balance sheet of governments. The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as expenses or revenues, such as debt issuance costs, fees and costs associated with mortgage banking activities, lending activities and loan purchases. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Accounting changes adopted to conform to the provisions of this Statement will be applied retroactively by restating financial statements for all periods presented. The City is currently evaluating the impact this statement will have on financial reporting.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. The statement amends the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to government employers that account for pensions provided through trusts, or equivalent arrangements, that meet certain criteria. The statement includes accounting guidance for employers participating in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans and defined contribution plans. The statement also addresses note disclosure and required supplementary information for employers whose employees are provided with defined benefit pensions through trusts. GASB 27 and 50 will remain applicable to employers whose pensions are not covered by the scope of this new statement.

Under the new statements, a cost-sharing employer whose employees receive pensions through a trust will report a net pension asset or liability, deferred outflows or inflows of resources related to pensions and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. The share of collective net pension liability recognized by an individual employer should be based on the employer's relationship to all employers and non-employer contributing entities in the plan. The employer's proportion should be consistent with how contributions are determined; the use of the long-term contribution effort of the employer is encouraged. The measurement of collective net pension liability, pension expense and other key information will follow the same standards that apply to single and agent employers. The effects of changes to an employer's expected proportion of total employer-related contributions—as well as the effects of differences between the expected and actual proportionate share of total employer-related contributions each period—will be reported as a deferred outflow or inflow of resources and recognized in the employer's pension expense in a systematic and rational manner over a closed period representative of the average expected remaining service lives of employees, beginning with the period of adoption. Under the current standards, governments recognize only the portion of cost-sharing pension obligations related to their annual required contributions.

GASB 68 will be effective for fiscal years beginning after June 15, 2014, with earlier application is encouraged. The City is currently evaluating the impact this statement will have on financial reporting.

## **Note 2 - Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk**

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The City's policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2012 were as follows:

<u>Primary Government</u>	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 7,771,358
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	<u>11,519,721</u>
Total deposits	<u><u>\$ 19,291,079</u></u>

The carrying amount of deposits on the December 31, 2012 statement of net position was \$19,694,389.

Investments – In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose only investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated as its fiscal agent.

The amount reported as deposits and investments includes \$491,630 of the Landfill Fund which is being held in trust for the purpose of paying closure and postclosure costs relating to the City operated landfill. These assets are restricted as to use, and are not available to the City without prior approval of the State of South Dakota Department of Environment and Natural Resources. The amount reported as deposits and investments also includes \$2,681,970 of the various funds restricted for debt service and \$12,518,105 restricted for construction.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2012, two of the financial institutions that hold the City's deposits were not properly collateralized and the deposits at those institutions were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>Percent Under- Collateralized</u>	<u>At-Risk Amount</u>
BankWest of Pierre	1.84%	\$ 42,488
First National Bank of Pierre	4.02%	<u>118,659</u>
Total at-risk amount		<u><u>\$ 161,147</u></u>

As of December 31, 2012, the City's investments include a U.S. Treasury Note with a fair value of \$2,993,287 and a maturity date of January, 31, 2013 with a AAA credit rating and Goldman Sachs Financial Square Treasury Obligations Money Market Funds in the amount of \$5,366,759. All other investments are bank certificates of deposit of over 90 day maturity.

Custodial Credit Risk (Component Unit) – The Commission does not have a deposit policy for custodial risk. As of June 30, 2012, the Commission's deposits were fully insured or collateralized and were not exposed to custodial risk.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

### **Note 3 - Restricted Net Position**

The following table shows the net position restricted for other purposes as shown on the statement of net position:

<u>Restriction</u>	<u>Restricted By</u>	<u>Amount</u>
Storm Drainage Fund	State law	\$ 472,088
Library Fines Fund	State law	339,891
911 Purposes	State law	260,693
Cities of Service Fund	State law	4,900
General Fund - SD Public Assurance Alliance	Contractual agreement	247,374
		<u>\$ 1,324,946</u>

### **Note 4 - Receivables and Payables**

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

### **Note 5 - Inventory**

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

### **Government-Wide Financial Statements**

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

### **Fund Financial Statements**

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current position.



## Note 6 - Deferred Revenue

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

## Note 7 - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

## Note 8 - Changes in Capital Assets

A summary of changes in capital assets for the year ended December 31, 2012 follows:

Primary Government	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,742,886	\$ -	\$ -	\$ 11,742,886
Total capital assets, not being depreciated	11,742,886	-	-	11,742,886
Capital assets, being depreciated:				
Buildings	16,538,740	768,548	(4,672)	17,302,616
Improvements other than buildings	37,626,414	1,876,264	(481,439)	39,021,239
Machinery and equipment	9,765,654	582,119	(475,165)	9,872,608
Total capital assets, being depreciated	63,930,808	3,226,931	(961,276)	66,196,463
Less accumulated depreciation for:				
Buildings	7,144,115	487,153	(331)	7,630,937
Improvements	17,557,233	884,164	(385,160)	18,056,237
Machinery and equipment	6,103,491	925,894	(273,083)	6,756,302
Total accumulated depreciation	30,804,839	2,297,211	(658,574)	32,443,476
Total capital assets, being depreciated, net	33,125,969	929,720	(302,702)	33,752,987
Governmental activity capital assets, net	\$ 44,868,855	\$ 929,720	\$ (302,702)	\$ 45,495,873

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 157,438
Public safety	411,904
Public works	993,603
Health and welfare	5,717
Culture and recreation	655,601
Total depreciation expense - governmental activities	\$ 2,224,263

City of Pierre  
Notes to Financial Statements  
December 31, 2012

<u>Primary Government</u>	<u>Balance 01/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/12</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,704,764	\$ -	\$ -	\$ 2,704,764
Construction in progress	5,009,663	2,194,045	(4,945,245)	2,258,463
Total capital assets, not being depreciated	7,714,427	2,194,045	(4,945,245)	4,963,227
Capital assets, being depreciated:				
Buildings	30,236,946	12,510,326	(43,695)	42,703,577
Improvements other than buildings	48,266,509	1,211,189	(408,697)	49,069,001
Machinery and equipment	8,265,905	450,365	(457,699)	8,258,571
Total capital assets, being depreciated	86,769,360	14,171,880	(910,091)	100,031,149
Less accumulated depreciation for:				
Buildings	11,574,384	1,321,361	(38,467)	12,857,278
Improvements	17,586,267	1,229,758	(329,158)	18,486,867
Machinery and equipment	4,836,132	533,503	(390,749)	4,978,886
Total accumulated depreciation	33,996,783	3,084,622	(758,374)	36,323,031
Total capital assets, being depreciated, net	52,772,577	11,087,258	(151,717)	63,708,118
Business-type activity capital assets, net	<u>\$ 60,487,004</u>	<u>\$ 13,281,303</u>	<u>\$ (5,096,962)</u>	<u>\$ 68,671,345</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 335,171
Electric	499,761
Waster water	725,981
Airport	1,269,005
Garbage	12,394
Landfill	242,310
Total depreciation expense - business-type activities	<u>\$ 3,084,622</u>

The City has an active construction projects as of December 31, 2012. At year end, the City's commitment with contractors is as follows:

	<u>Project Authorization</u>	<u>Expended Through 12/31/2012</u>	<u>Committed</u>
Electric fund Garfield Substation Project	<u>\$ 12,500,000</u>	<u>\$ 2,258,464</u>	<u>\$ 10,241,536</u>

## Note 9 - Changes in Component Unit Capital Assets

A summary of changes in component unit capital assets for the year ended June 30, 2012 is as follows:

Primary Government	Balance 07/01/11	Increases	Decreases	Balance 06/30/12
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 80,645	\$ -	\$ -	\$ 80,645
Construction work in progress	88,513	-	(88,513)	-
Total capital assets, not being depreciated	169,158	-	(88,513)	80,645
Capital assets, being depreciated:				
Buildings and improvements	2,296,886	122,118	-	2,419,004
Furniture and equipment	200,409	2,030	-	202,439
Total capital assets, being depreciated	2,497,295	124,148	-	2,621,443
Less accumulated depreciation for:				
Buildings and improvements	1,816,691	61,542	-	1,878,233
Furniture and equipment	114,403	16,181	-	130,584
Total accumulated depreciation	1,931,094	77,723	-	2,008,817
Total capital assets, being depreciated, net	566,201	46,425	-	612,626
Governmental activity capital assets, net	\$ 735,359	\$ 46,425	\$ (88,513)	\$ 693,271

## Note 10 - Long-Term Debt

A summary of changes in long-term debt follows:

Primary Government	January 1, 2012	Increases	Decreases	December 31, 2012	Due Within One Year	Interest Paid
Governmental activities:						
Bonds payable:						
Revenue	\$ 8,677,599	\$ 107,743	\$ (776,096)	\$ 8,009,246	\$ 904,440	\$ 245,310
Financing (capital acquisition leases)	452,466	-	(90,898)	361,568	94,550	21,772
Total debt	9,130,065	107,743	(866,994)	8,370,814	998,990	267,082
Accrued compensated absences	668,521	442,797	(416,571)	694,747	330,000	-
OPEB	222,038	124,812	(111,175)	235,675	-	-
Total government activities	10,020,624	675,352	(1,394,740)	9,301,236	1,328,990	267,082
Business-type activities:						
Bonds payable:						
Revenue	21,831,871	-	(1,106,716)	20,725,155	1,123,337	1,024,740
Accrued compensated absences	288,013	225,439	(202,669)	310,783	144,000	-
Total business-type activities	22,119,884	225,439	(1,309,385)	21,035,938	1,267,337	1,024,740
Total primary government	\$ 32,140,508	\$ 900,791	\$ (2,704,125)	\$ 30,337,174	\$ 2,596,327	\$ 1,291,822
Component Unit	July 1, 2011	Increases	Decreases	June 30, 2012	Due Within One Year	Interest Paid
Accrued compensated absences	\$ 6,779	\$ 7,921	\$ (7,865)	\$ 6,835	\$ 3,760	\$ -

Debt payable at December 31, 2012 is comprised of the following:

Government Activity Debt

Revenue Bonds

2010 Tax Increment Revenue Bond for TIF District No. 6 Loan, payable by a Debt Service Fund. Terms call for semi-annual payments of approximately \$80,000 at 4.8% interest, matures 2026.	\$ 1,500,000
2009 Tax Increment Revenue Bond for TIF District No. 5 Loan, payable by a Debt Service Fund. Terms are for semi-annual payments of approximately \$37,000 at 4.8% interest, matures 2023.	673,788
2008 Tax Increment Revenue Bond for TIF District No. 4 Loan, payable by a debt service fund. Terms are for semi-annual payments at 6.125% interest, matures 2024.	149,863
State Revolving Fund - Solid Waste Landfill and Baler, matures December 31, 2023, 3% interest rate, payments to be financed from the Capital Improvement Fund.	373,464
2009 Regional Landfill Assistance Loan, payable by capital improvement fund, due in semi-annual installments of \$23,814, including 2.5% interest, matures June 1, 2017.	201,520
State Revolving Loan Fund for landfill remediation. Terms are quarterly payments of \$10,685, including 3.25% interest until April 15, 2031; payment to be financed by the capital improvement fund.	592,503
Convention Center Sales Tax Revenue Bonds, Series 2004, matures October 1, 2014, 2%-4% interest rate depending on length to maturity of individual bond, payment to be financed from the Special Tax Fund.	415,000
State Revolving Fund Loan for the development of a landfill, matures June 30, 2025, 4.5% interest rate, payment to be financed from the Capital Improvement Fund.	816,983
State Revolving Fund Loan for landfill containment/replacement, terms are one payment of interest only of \$4,823 and 13 semi-annual payments of \$35,318, including 2.25% interest until December 1, 2019. Payment to be financed by Capital Improvement Fund.	431,125
2005 Refunding Certificates of Participation, interest rates of 3.25%-4.25%, depending on length to maturity of individual certificates, matures July 1, 2019, payment to be financed by the Capital Improvement Fund.	<u>2,855,000</u>
Total revenue debt	<u>8,009,246</u>

Financing (Capital Acquisition) Leases

Golf Club House, due in annual installments of \$47,474, including 5.5% interest, matures July 1, 2020, payments to be made by the General Fund.	297,712
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The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$	356,000
Interest		110,738
		\$ 466,738

Fire truck #4, due in annual installments of \$65,995, including 1.7% interest, matures January 15, 2013, payments to be made by General Fund.	63,856
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The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$	254,451
Interest		6,531
		\$ 260,982

The principal amount of the above lease was included in the appropriate classification of capital assets and is being depreciated over the estimated useful life of the asset.

Total capital leases	361,568
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Compensated Absences

The liability for compensated absences represents leave benefits earned as of December 31, 2012:

Annual leave	393,184
Sick leave	274,168
Comp leave	27,395

Total	694,747
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Other post employment benefits	235,675
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Total governmental activity debt	9,301,236
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Business-Activity Debt

Revenue Bonds

Drinking Water State Revolving Fund Loan (1), matures January 1, 2018, 3.5% interest rate, payment to be financed from the Water Fund.	404,549
Drinking Water State Revolving Fund Loan (2), matures September 30, 2020, 3.5% interest rate, payment to be financed from the Water Fund.	1,065,606
Waste Water Revenue Refunding Bonds, Series 2010A, proceeds used for the redemption of Series 1999 bonds, matures in 2013, 1.4%-1.7% interest rate, payment to be financed from the Waste Water Fund.	225,000
Waste Water Revenue Refunding Bonds, Series 2010B, matures January 1, 2021, 5%-2.9% interest rate, payment to be financed from Waste Water Fund.	5,470,000
Electric Revenue Bonds, Series 2010C, (Recovery Zone Economic Development Bonds). Proceeds will be used for a new electric substation, matures December 15, 2040, 6% interest rate with a 45% federal credit, payments to be made by the Electric Fund.	<u>13,560,000</u>
Total revenue bonds	<u>20,725,155</u>

Compensated Absences

Compensated absences of enterprise:

Employees:

Annual leave	170,845
Sick leave	127,590
Comp leave	<u>12,348</u>

Total compensated absences 310,783

Total business-type activities 21,035,938

Grand Total, Primary Government \$ 30,337,174

The annual requirements to amortize all debt outstanding as of December 31, 2012 excluding compensated absences and other post-employment benefits are as follows:

**Governmental Activities**

Year Ending December 31	Revenue		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 904,440	\$ 311,394	\$ 94,550	\$ 18,246	\$ 998,990	\$ 329,640
2014	969,179	276,127	32,363	14,094	1,001,542	290,221
2015	783,897	238,542	34,122	12,081	818,019	250,623
2016	814,278	207,921	35,977	10,067	850,255	217,988
2017	826,544	175,609	37,933	8,054	864,477	183,663
2018-2022	2,650,596	462,653	126,623	12,080	2,777,219	474,733
2023-2027	919,454	106,494	-	-	919,454	106,494
2028-2032	140,858	8,733	-	-	140,858	8,733
	<u>\$ 8,009,246</u>	<u>\$ 1,787,473</u>	<u>\$ 361,568</u>	<u>\$ 74,622</u>	<u>\$ 8,370,814</u>	<u>\$ 1,862,095</u>

### Business-Type Activities

Year Ending December 31	Revenue	
	Principal	Interest
2013	\$ 1,123,337	\$ 1,003,376
2014	1,145,194	978,158
2015	1,172,293	950,333
2016	1,194,644	920,182
2017	1,222,256	888,183
2018-2022	4,887,431	3,909,516
2023-2027	2,155,000	3,239,481
2028-2032	2,550,000	2,523,923
2033-2037	3,100,000	1,528,254
2038-2042	2,175,000	330,750
	<u>\$ 20,725,155</u>	<u>\$ 16,272,156</u>

### Note 11 - Interfund Transfers

Transfers for 2012 were as follows:

Fund	Transfers In	Transfers Out
General	\$ 2,143,644	\$ 1,796,567
Special revenue funds:		
Capital improvement	-	2,985,632
E-911	109,632	-
Cable access	36,105	-
Police pistol range	1,546	-
Storm drainage	899,000	-
Enterprise funds:		
Electric	-	2,143,644
Waste Water	227,000	-
Airport	3,508,916	-
Garbage	300,000	-
Landfill	-	300,000
	<u>\$ 7,225,843</u>	<u>\$ 7,225,843</u>

The reasons for the 2012 transfers were as follows:

To subsidize operations	\$ 7,225,843
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## Note 12 - Retirement Plan

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

General employees are required by the state statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution.

State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011 and 2010 were \$426,778, \$459,822 and \$440,538, respectively, equal to the required contributions each year.

## Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2012, the City managed its risks as follows:

### Employee Health Insurance

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$25,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier, up to a maximum lifetime coverage of \$1,000,000. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan.

Changes in the amount of claims liabilities in the last three years were as follows:

	Balance at January 1	Claims and Changes in Estimates	Claim Payments	Balance at December 31
2012	\$ 345,670	\$ 1,214,580	\$ 1,303,919	\$ 256,331
2011	177,123	2,524,628	2,356,081	345,670
2010	57,749	1,332,842	1,213,468	177,123



### **Workmen's Compensation**

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to \$1,675,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

### **Liability**

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$3,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$1,000 deductible for the automobile coverage and \$1,000 deductible for the general liability.

A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's first full year	50%
End of City's second full year	60%
End of City's third full year	70%
End of City's fourth full year	80%
End of City's fifth full year	90%
End of City's sixth full year and thereafter	100%

As of December 31, 2012, the City has vested balance in the cumulative reserve fund of \$247,374.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

### **Unemployment Benefits**

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

### **Component Unit**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2012, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; health insurance from a commercial insurance carrier; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

### **Note 14 - Closure and Post-Closure Care Cost**

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$436,315 reported as landfill closure and postclosure care liability at December 31, 2012, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2003 and 4% of the new landfill which opened in 2003. The City will recognize the remaining estimated cost of closure and postclosure care of approximately \$4.4 million for the operating landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The closure and postclosure costs have been calculated using a closure period when the largest amount of landfill would be open and require the most costly closure activity. This conservative approach assumes a closure date of 2081. The ultimate capacity of the landfill is expected to be reached sometime after 2100. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements, and at December 31, 2012, the City had contributed \$491,630 to this trust. The City expects that any future inflation costs will be paid from earnings on these investments and future contributions. However, if investment earnings are inadequate or additional closure or postclosure care requirements are determined (due to changes in technology or applicable laws or regulations); these costs may need to be covered by charges to future users of the solid waste system or from future non-ad valorem assessments.

### **Note 15 - Post Employment Benefits**

#### **Plan Description**

The City's Postemployment Health Care Plan is a single-employer defined benefit healthcare plan which provides medical benefits to eligible retirees and their spouses. The Plan is authorized by SDCL 9-14-35 and SDCL 6-1-16 and is administered by the City. The Plan does not issue a stand-alone financial report.

### Funding Policy

The contributions of plan members and the City are established by City policy. The required contribution is based on projected “pay-as-you-go” financial requirements, with an additional amount to prefund benefits as determined annually by the City. For 2012 the required contribution to the Plan was \$126,521. Contribution made in 2012 were \$112,884, thus the City accrued a liability of \$235,675, as of December 31, 2012.

### Annual OPEB cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The following table shows the City’s annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the City’s net OPEB obligation to the Plan.

	2012	2011	2010
Annual required contribution (ARC)	\$ 127,801	\$ 127,801	\$ 141,401
Interest on net OPEB obligation	9,992	8,283	-
Adjustment to ARC	(11,272)	(11,272)	-
Annual OPEB cost (expense)	126,521	124,812	141,401
Annual contribution made	(112,884)	(86,840)	(63,235)
Increase in net OPEB obligation	13,637	37,972	78,166
Net OPEB obligation, beginning of year	222,038	184,066	105,900
Net OPEB obligation, end of year	<u>\$ 235,675</u>	<u>\$ 222,038</u>	<u>\$ 184,066</u>
Percentage of annual OPEB cost contributed	89%	70%	45%

### Funded Status

The Plan is on a “pay-as-you-go” basis; therefore it is not funded as of December 31, 2012.

### Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2012 actuarial valuation was compiled using the “projected unit credit” actuarial cost method. The assumptions included a 4.5% rate of return (net of administrative expenses) and an annual health-care cost trend of 9% initially, grading to 5% over 8 years. The amortization period of the unfunded liability is 30 years.

### **Note 16 - Significant Commitments**

The City has long-term contracts for the purchase of electrical energy with the Western Area Power Administration and the Missouri Basin Municipal Power Agency. These contracts expire December 31, 2020 and January 1, 2030, respectively. According to the terms of the contracts, the City is obligated to purchase all of its electrical energy from these two sources. No minimum purchase requirements have been established in the contracts.

### **Note 17 - Exposition Building**

The City participates in a joint venture, known as Exposition Building, which is a joint operation between the City of Pierre, Fort Pierre, Stanley and Hughes Counties for the construction and operation of a multiple use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during winter months will be for hockey and multiple uses during other times of the year. Construction was completed in 1999. Interest in the facility is as follows:

City of Pierre	35%
City of Fort Pierre	15%
Hughes County	35%
Standly County	15%

The City’s interest in the facility as of December 31, 2012 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent. Financial information for the joint operation is available from the Hughes County Finance Officer.

The joint operations governing board is composed of four representatives, one from each participating entity. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget. Each member contributes to the annual operating budget of the Exposition Building. The City contributed \$4,086 during 2012. At December 31, 2012, this joint operation had total cash of \$74,953.

### **Note 18 - Pledged Revenues**

The City has pledged future water customers’ revenues, net of specified operating expenses, to repay \$1,470,155 in water system revenue bonds issued in 2002 and 2006. Proceeds from the bonds provided financing for the construction of water system infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2020. Annual principal and interest payments on the bonds are expected to require less than 70% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,665,898. Principal and interest paid for the current year and total customer net revenue were \$248,895 and \$1,260,881, respectively.

The City has, also, pledged future electric customers' revenues, net of specified operating expenses, to repay \$13,560,000 in water system revenue bonds issued in 2010. Proceeds from the bonds provided financing for the construction of electrical infrastructure.

The bonds are payable solely from electric customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$28,984,742. Principal and interest paid for the current year and total customer net revenue were \$1,164,203 and \$3,467,168, respectively.

The City has, also, pledged future sewer customers' revenues, net of specified operating expenses, to repay \$6,285,000 in water system revenue bonds issued in 2010. The bonds were used to refinance bonds issued in 1996 and 2009. Proceeds from the refinanced bonds provided financing for the construction of sewer infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$6,346,670. Principal and interest paid for the current year and total customer net revenue were \$724,980 and \$892,205, respectively.

#### **Note 19 - Correction of Errors**

The City has determined that certain transactions were recorded incorrectly in a prior year.

During the current year, it was determined that certain long-term debt of \$323,382 was incorrectly omitted from the 2011 governmental activities statement of net position. To correct this error, beginning net position for governmental activities of \$45,405,358, as originally reported, has been decreased to \$45,081,976.

During the current year, it was determined that certain prior year grant revenues and related grant receivables totaling \$561,682 were not recorded in the Airport Fund for 2011. To correct this error, the beginning net position of the Airport Fund of \$20,458,092, as originally reported, has been increased to \$21,019,774. During the current year, it was also determined that prior year's landfill closure and post closure liability was overstated by \$53,959 in the Landfill Fund. To correct this error, the beginning net position of the Landfill Fund of \$7,035,135, as originally reported, has been increased to \$7,089,094. In addition, beginning net position for business activities of \$60,950,346, as originally reported, has been increased by the \$615,641 to \$61,565,987 as a result of these two errors.

During the current year, it was determined that accrued interest payable and related interest expense totaling \$63,583 was incorrectly recorded in the Capital Improvement Fund for 2011. To correct this error, the beginning fund balance of the Capitol Improvement Fund of \$3,872,325, as originally reported, has been increased to \$3,935,908.

## **Note 20 - Extraordinary Item**

During 2011, the City experienced a disaster due to flooding of the Missouri River, the effects and cost of which continued into 2012. The continued extraordinary costs and related state and federal FEMA assistance for the year ended December 31, 2012 were as follows:

Flood related costs	\$ 1,360,334
FEMA reimbursements	<u>(1,101,457)</u>
Net extraordinary costs	<u><u>\$ 258,877</u></u>

## **Note 21 - Subsequent Event**

In fiscal year 2013, the City Commission approved a resolution to incur debt up to \$5,500,000 for improvements on the economic development site on North Garfield Avenue. The City has not entered into any contracts or agreements as of September 27, 2013.

## **Note 22 - Restatement and Reissuance**

Subsequent to the original issuance of the 2012 financial statements, the City became aware of certain errors as described below and have reissued the 2012 financial statements to correct these errors.

In the General Fund, it was determined that \$91,700 of cash received for license permits in 2012 was collected as pre-payments for 2013. This amount was incorrectly recorded as revenue in 2012. To correct this error, General Fund revenue collected in advance was increased by \$91,700 as of December 31, 2012, which reduced license and permits revenue and the net change in fund balance for the year ended December 31, 2012 by the same amount. General Fund ending fund balance of \$3,520,180, as originally reported, has been decreased to \$3,428,480 as of December 31, 2012. In addition, the Statement of Net Position for governmental activities was corrected to increase other current liabilities by \$91,700 and decrease unrestricted net position by the same amount, resulting in a restated net position of \$42,972,136 as of December 31, 2012. The Statement of Activities for governmental activities was also corrected to decrease general government charges for services by \$91,700 and change in net position by the same amount for the year ended December 31, 2012.

In the Capital Improvement Fund, it was determined that \$964,309 of state payments for a bike trail pass-through grant were improperly omitted from 2012 federal grant revenues and related park expenses on the Statement of Revenues, Expenditures, and Changes in Fund Balance. To correct this error, Capital Improvement Fund federal grant revenue and park expenses were both increased by \$964,309 for the year ended December 31, 2012. Capital Improvement fund balance as of December 31, 2012 was unchanged as a result of this correction. In addition, the Statement of Activities for governmental activities was corrected to increase both culture and recreation capital grants and culture and recreation expenses by \$964,309 for the year ended December 31, 2012. Governmental activities net position as of December 31, 2012 was unchanged as a result of this correction.

In the Airport Fund, it was determined that receivables were overstated by \$141,493 for capital grant reimbursements that were recorded at the incorrect reimbursement percentage. To correct this error, Airport Fund receivables from federal/state government were decreased by \$141,493 as of December 31, 2012, which reduced capital grant revenue and the change in net position for the year ended December 31, 2012 by the same amount. Airport Fund net position of \$29,237,190, as originally reported, has been decreased to \$29,095,697 as of December 31, 2012. In addition, the Statement of Net Position for business-type activities was corrected to decrease receivables by \$141,493 and decrease unrestricted net position by the same amount, resulting in a restated net position of \$70,646,317 as of December 31, 2012. The Statement of Activities for business-type activities was also corrected to decrease airport capital grants revenue by \$141,493 and change in net position by the same amount for the year ended December 31, 2012.

Certain elements of the aforementioned errors impacted the Schedule of Expenditures of Federal Awards. To correct these errors, federal expenditures for the Airport Improvement Program (CFDA 20.106) were decreased by \$77,893, to \$5,979,916 and federal expenditures for the Highway Planning and Construction Program (CFDA 20.205) were increased by \$964,309, to \$1,455,559 for the year ended December 31, 2012. Total expenditures of federal awards were increased by \$886,416, to \$8,934,487 for the year ended December 31, 2012.



Required Supplementary Information  
December 31, 2012

**City of Pierre**



**OPEB Health Insurance Plan**

Status of Funding Progress

	Valuation Date	
	January 1, 2011	January 1, 2008
Actuarial Accrued Liability	\$ 1,132,200	\$ 1,135,494
Actuarial Value of Plan Assets	-	-
Actuarial Accrued Liability (AAL)	1,132,200	1,135,494
Ratio	0%	0%
Payroll (Active Plan Members)	6,069,643	5,369,574
Percentage of Covered Payroll	18.7%	17.6%

This fund has only been evaluated twice as of January 1, 2011.

City of Pierre  
Budgetary Comparison Schedule—General Fund  
Year Ended December 31, 2012

	Budgetary Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
			(Restated)	Positive
				(Negative)
				(Restated)
Revenues				
Taxes				
General property taxes	\$ 2,562,751	\$ 2,562,751	\$ 2,525,696	\$ (37,055)
General sales and use taxes	3,262,113	3,262,113	3,438,701	176,588
Penalties and interest on delinquent taxes	1,000	1,000	3,439	2,439
Licenses and permits	185,485	185,485	250,647	65,162
Intergovernmental revenue				
Federal grants	1,443,500	1,443,500	894,928	(548,572)
State grants	-	14,000	273,152	259,152
State shared revenue	471,000	475,010	530,594	55,584
County shared revenue	9,600	9,600	17,032	7,432
Other intergovernmental revenue	-	-	36,212	36,212
Charge for goods and services				
General government	1,539,732	1,539,732	1,520,908	(18,824)
Public safety	42,500	42,500	17,306	(25,194)
Health	3,400	3,400	-	(3,400)
Culture and recreation	343,500	343,500	148,342	(195,158)
Cemetery	31,000	31,000	28,323	(2,677)
Fines and forfeits				
Court fines and costs	4,000	4,000	4,109	109
Animal control fines	10,000	10,000	-	(10,000)
Parking meter fines	6,000	6,000	1,910	(4,090)
Library	18,000	18,000	-	(18,000)
Miscellaneous revenue				
Investment earnings	5,000	5,000	5,733	733
Rentals	-	-	11,950	11,950
Special assessments	15,000	15,000	25,542	10,542
Contributions from private sources	39,250	40,819	61,754	20,935
Other	105,000	105,000	128,552	23,552
Total revenues	10,097,831	10,117,410	9,924,830	(192,580)

City of Pierre  
Budgetary Comparison Schedule—General Fund  
Year Ended December 31, 2012

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	(Restated)	(Restated)
Expenditures				
General government				
Legislative	203,502	211,512	202,627	8,885
Contingency	250,000	250,000		
Amount transferred	-	(155,130)		94,870
Elections	10,300	10,300	1,450	8,850
Financial administration	1,518,629	1,554,629	1,523,670	30,959
Other	1,638,634	1,738,511	1,452,436	286,075
Public safety				
Police	2,198,919	2,307,919	2,287,807	20,112
Fire	397,361	397,361	314,600	82,761
Public works				
Highways and streets	1,228,218	1,394,218	1,404,497	(10,279)
Cemeteries	226,123	226,123	191,326	34,797
Health and welfare				
Health	71,400	71,400	79,008	(7,608)
Culture and recreation				
Recreation	470,013	493,246	457,993	35,253
Parks	1,853,271	2,154,971	2,103,406	51,565
Libraries	770,129	770,129	700,908	69,221
Auditorium	1,000	1,000	524	476
Conservation and development				
Economic development and assistance	1,510,494	1,677,724	640,579	1,037,145
Debt service	46,674	46,674	52,493	(5,819)
Intergovernmental	460,000	466,000	463,717	2,283
Total expenditures	<u>12,854,667</u>	<u>13,616,587</u>	<u>11,877,041</u>	<u>1,739,546</u>
Excess of Revenue over (under) Expenditures	<u>(2,756,836)</u>	<u>(3,499,177)</u>	<u>(1,952,211)</u>	<u>1,546,966</u>
Other Financing Sources (Uses)				
Transfers in	3,181,714	3,181,714	2,460,732	(720,982)
Sale of City property	40,000	40,000	125,523	85,523
Transfers out	<u>(464,802)</u>	<u>(464,802)</u>	<u>(1,796,567)</u>	<u>(1,331,765)</u>
Total other financing sources (uses)	<u>2,756,912</u>	<u>2,756,912</u>	<u>789,688</u>	<u>(1,967,224)</u>
Net Change in Fund Balances	76	(742,265)	(1,162,523)	(420,258)
Fund Balance - Beginning	<u>4,591,003</u>	<u>4,591,003</u>	<u>4,591,003</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,591,079</u>	<u>\$ 3,848,738</u>	<u>\$ 3,428,480</u>	<u>\$ (420,258)</u>

City of Pierre  
Budgetary Comparison Schedule—Capital Improvement Fund  
Year Ended December 31, 2012

	Budgetary Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
			(Restated)	Positive
				(Negative)
				(Restated)
Revenues				
Taxes				
General sales and use taxes	\$ 3,262,113	\$ 3,262,113	\$ 3,438,716	\$ 176,603
Intergovernmental revenue				
Federal grants	914,000	914,000	1,535,559	621,559
State grants	53,760	53,760	53,760	-
Miscellaneous revenue				
Investment earnings	10,000	10,000	8,115	(1,885)
Total revenues	4,239,873	4,239,873	5,036,150	796,277
Expenditures				
Public safety				
Fire	65,995	65,995	65,995	-
Public works				
Highways and streets	1,915,484	2,247,614	2,004,907	242,707
Sanitation	229,400	229,400	154,565	74,835
Health and welfare				
Ambulance	80,000	80,000	61,892	18,108
Culture and recreation				
Recreation	-	750	750	-
Parks	1,775,400	1,776,150	1,667,096	109,054
Library	-	150,000	26,999	123,001
Debt service	686,169	686,919	693,858	(6,939)
Total expenditures	4,752,448	5,236,828	4,676,062	560,766
Excess of Revenue over (under) Expenditures	(512,575)	(996,955)	360,088	1,357,043
Other Financing Sources (Uses)				
Transfers out	(524,465)	(524,465)	(3,302,720)	(2,778,255)
Proceeds of long-term debt	1,037,040	1,037,040	107,743	(929,297)
Total other financing sources (uses)	512,575	512,575	(3,194,977)	(3,707,552)
Net Change in Fund Balances	-	(484,380)	(2,834,889)	(2,350,509)
Fund Balance - Beginning	3,935,908	3,935,908	3,935,908	-
Fund Balance - Ending	\$ 3,935,908	\$ 3,451,528	\$ 1,101,019	\$ (2,350,509)

**Note 1 - Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

**Note 2 - Budgets and Budgetary Accounting**

The City is reporting financial position, results of operations, and changes in fund balances in conformity with GAAP while the Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes and extraordinary items are not separately budgeted. Also certain grants that the State of South Dakota administers on the City's behalf whereby the State pays vendors directly are excluded from these schedules as the City does not budget for those expenses as they do not pay the vendors directly in these instances.



Supplementary Information  
December 31, 2012  
**City of Pierre**

City of Pierre  
Combining Balance Sheet – Nonmajor Governmental Funds  
December 31, 2012

	Special Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Public/Education Government Channel Fund	Special Recreation Fund	Cities of Service Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
<b>Assets</b>											
Cash and cash equivalents	\$ 378,385	\$ 239,897	\$ 40,346	\$ 6,921	\$ (2,715)	\$ 3,780	\$ 4,900	\$ -	\$ 607,582	\$ -	\$ 1,279,096
151 Investments	-	-	299,545	-	-	-	-	-	-	-	299,545
115 Accounts receivable, net	-	18,964	-	-	13,864	-	-	-	15,902	-	48,730
117 Unbilled accounts receivable	-	-	-	-	-	-	-	-	14,713	-	14,713
132 Due from federal/state/county government	54,460	3,383	-	-	-	-	-	-	-	-	57,843
135 Interest receivable	-	-	-	-	-	-	-	-	-	48,966	48,966
107.1 Restricted cash and cash equivalents	220,548	-	-	-	-	-	-	54,464	-	-	275,012
107.2 Restricted Investments	213,939	-	-	-	-	-	-	-	-	-	213,939
	<u>\$ 867,332</u>	<u>\$ 262,244</u>	<u>\$ 339,891</u>	<u>\$ 6,921</u>	<u>\$ 11,149</u>	<u>\$ 3,780</u>	<u>\$ 4,900</u>	<u>\$ 54,464</u>	<u>\$ 638,197</u>	<u>\$ 48,966</u>	<u>\$ 2,237,844</u>
<b>Liabilities and Fund Balances</b>											
<b>Liabilities</b>											
202 Accounts payable	\$ 4,100	\$ 1,551	\$ -	\$ 39	\$ 530	\$ -	\$ -	\$ -	\$ 165,817	\$ 48,966	\$ 221,003
223 Revenue collected in advance	-	-	-	-	-	-	-	-	292	-	292
224 Deferred revenue	17,981	-	-	-	-	-	-	-	-	-	17,981
Total liabilities	<u>22,081</u>	<u>1,551</u>	<u>-</u>	<u>39</u>	<u>530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,109</u>	<u>48,966</u>	<u>239,276</u>
<b>Fund Balances</b>											
264 Restricted	\$ 434,486	\$ 260,693	\$ 339,891	\$ -	\$ -	\$ -	\$ 4,900	\$ 54,464	\$ 472,088	\$ -	\$ 1,566,522
265 Committed	410,765	-	-	6,882	10,619	3,780	-	-	-	-	432,046
Total fund balances	<u>845,251</u>	<u>260,693</u>	<u>339,891</u>	<u>6,882</u>	<u>10,619</u>	<u>3,780</u>	<u>4,900</u>	<u>54,464</u>	<u>472,088</u>	<u>-</u>	<u>1,998,568</u>
	<u>\$ 867,332</u>	<u>\$ 262,244</u>	<u>\$ 339,891</u>	<u>\$ 6,921</u>	<u>\$ 11,149</u>	<u>\$ 3,780</u>	<u>\$ 4,900</u>	<u>\$ 54,464</u>	<u>\$ 638,197</u>	<u>\$ 48,966</u>	<u>\$ 2,237,844</u>

City of Pierre

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended December 31, 2012

	Special Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Public/Education Government Channel Fund	Special Recreation Fund	Cities of Service Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
Revenues											
310 Taxes:											
311 General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,379	\$ 105,379
313 General sales and use taxes	469,909	-	-	-	-	-	-	-	-	-	469,909
316 911 Telephone surcharge	-	208,536	-	-	-	-	-	-	-	-	208,536
330 Intergovernmental revenue:											
338 County shared revenue:											
338.99 Other	-	-	-	-	150,677	-	-	-	-	-	150,677
340 Charges for goods and services:											
341 General government	-	-	-	-	38,694	-	-	-	-	-	38,694
342 Public safety	-	125,260	-	1,800	-	-	-	-	-	-	127,060
343 Highways and streets	-	-	-	-	-	-	-	-	315,498	-	315,498
346 Culture and recreation	-	-	12,310	-	-	7,301	-	-	-	-	19,611
350 Fines and forfeits:											
354 Library	-	-	5	-	-	-	-	-	-	-	5
360 Miscellaneous revenue:											
361 Investment earnings	1,273	424	1,790	-	-	-	-	-	40	-	3,527
367 Contributions and donations from private sources	-	-	200,918	-	-	499	-	-	-	-	201,417
369 Other	-	1,903	-	-	-	-	-	-	-	-	1,903
Total revenues	471,182	336,123	215,023	1,800	189,371	7,800	-	-	315,538	105,379	1,642,216



City of Pierre

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended December 31, 2012

	Special Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Public/Education Government Channel Fund	Special Recreation Fund	Cities of Service Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
Expenditures											
410 General government:											
419 Other	-	-	-	-	108,324	-	-	-	-	-	108,324
Total general government	-	-	-	-	108,324	-	-	-	-	-	108,324
420 Public safety:											
421 Police	-	536,965	-	3,717	-	-	-	-	-	-	540,682
Total public safety	-	536,965	-	3,717	-	-	-	-	-	-	540,682
430 Public works:											
431 Highways and streets	-	-	-	-	-	-	-	-	730,901	-	730,901
Total public works	-	-	-	-	-	-	-	-	730,901	-	730,901
450 Culture and recreation:											
451 Recreation	-	-	-	-	-	8,009	100	-	-	-	8,109
455 Libraries	-	-	4,511	-	-	-	-	-	-	-	4,511
Total culture and recreation	-	-	4,511	-	-	8,009	100	-	-	-	12,620
460 Conservation and development:											
465 Economic development and assistance (industrial development)	173,125	-	-	-	-	-	-	-	-	-	173,125
Total conservation and development	173,125	-	-	-	-	-	-	-	-	-	173,125
470 Debt service	222,806	-	-	-	-	-	-	-	-	109,018	331,824
485 Capital outlay	-	38,539	-	-	14,179	-	-	-	66,915	-	119,633
Total expenditures	395,931	575,504	4,511	3,717	122,503	8,009	100	-	797,816	109,018	2,017,109
Excess of revenue over (under) expenditures	75,251	(239,381)	210,512	(1,917)	66,868	(209)	(100)	-	(482,278)	(3,639)	(374,893)
Other Financing Sources (Uses)											
391.01 Transfers in	-	109,632	-	1,546	36,105	-	-	-	899,000	-	1,046,283
Total other financing sources (uses)	-	109,632	-	1,546	36,105	-	-	-	899,000	-	1,046,283
Net Change in Fund Balances	75,251	(129,749)	210,512	(371)	102,973	(209)	(100)	-	416,722	(3,639)	671,390
Fund Balance - Beginning	770,000	390,442	129,379	7,253	(92,354)	3,989	5,000	54,464	55,366	3,639	1,327,178
Fund Balance - Ending	\$ 845,251	\$ 260,693	\$ 339,891	\$ 6,882	\$ 10,619	\$ 3,780	\$ 4,900	\$ 54,464	\$ 472,088	\$ -	\$ 1,998,568

City of Pierre  
Combining Balance Sheet – Nonmajor Enterprise Funds  
December 31, 2012

	Enterprise Funds		
	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 78,471	\$ 803,912	\$ 882,383
115 Accounts receivable, net	-	71,553	71,553
Unbilled accounts receivable	-	4,399	4,399
Inventory of supplies	-	108,242	108,242
Inventory of stores purchased for resale	17,982	-	17,982
<b>Total current assets</b>	<b>96,453</b>	<b>988,106</b>	<b>1,084,559</b>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	-	491,630	491,630
Capital assets:			
160 Land	-	2,408,898	2,408,898
162 Buildings	-	2,966,783	2,966,783
164 Improvements other than buildings	-	264,926	264,926
166 Machinery and equipment	123,940	2,277,648	2,401,588
Less accumulated depreciation	(41,876)	(2,050,008)	(2,091,884)
<b>Total noncurrent assets</b>	<b>82,064</b>	<b>6,359,877</b>	<b>6,441,941</b>
	<b>\$ 178,517</b>	<b>\$ 7,347,983</b>	<b>\$ 7,526,500</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
202 Accounts payable	\$ 902	\$ 22,114	\$ 23,016
Accrued taxes payable	476	910	1,386
Revenue collected in advance	-	100	100
<b>Total current liabilities</b>	<b>1,378</b>	<b>23,124</b>	<b>24,502</b>
<b>Noncurrent Liabilities</b>			
233 Accrued leave payable	7,804	67,976	75,780
235 Accrued Landfill Closure and Postclosure Care Costs	-	436,315	436,315
<b>Total noncurrent liabilities</b>	<b>7,804</b>	<b>504,291</b>	<b>512,095</b>
<b>Net Position</b>			
253.10 Invested in capital assets, net of related debt	82,064	5,868,246	5,950,310
253.27 Restricted landfill closure and post closure costs	-	55,315	55,315
253.90 Unrestricted net position	87,271	897,007	984,278
<b>Total net position</b>	<b>169,335</b>	<b>6,820,568</b>	<b>6,989,903</b>
	<b>\$ 178,517</b>	<b>\$ 7,347,983</b>	<b>\$ 7,526,500</b>

City of Pierre

Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds  
Year Ended December 31, 2012

	Enterprise Funds		
	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
Operating Revenue			
380 Charges for goods and services	\$ 84,618	\$ 1,150,167	\$ 1,234,785
Revenue dedicated to servicing debt			
369 Miscellaneous	-	2,619	2,619
Total operating revenue	84,618	1,152,786	1,237,404
Operating Expenses			
410 Personal services	53,554	566,545	620,099
420 Other current expenses	45,499	343,965	389,464
426.2 Materials (Cost of goods sold)	14,165	148,629	162,794
457 Depreciation	12,394	242,310	254,704
Total operating expenses	125,612	1,301,449	1,427,061
Operating Income (Loss)	(40,994)	(148,663)	(189,657)
Nonoperating Revenue			
361 Investment earnings	-	3,011	3,011
362 Rental revenue	-	1,657	1,657
(492) 366 Gain (loss) on disposition of assets	-	(847)	(847)
Total nonoperating revenue (expense)	-	3,821	3,821
Income (Loss) Before Contributions, Transfers and Extraordinary Item	(40,994)	(144,842)	(185,836)
397.07 Capital contributions	-	149,383	149,383
391.1 Transfers in	300,000	29,005	329,005
511 Transfers out	-	(300,000)	(300,000)
Extraordinary Item (see Note 20)	-	(2,072)	(2,072)
Change in Net Position	259,006	(268,526)	(9,520)
Net Position - Beginning as previously stated	(89,671)	7,035,135	6,945,464
Correction of errors (see Note 19)	-	53,959	53,959
Net Position - Beginning as restated	(89,671)	7,089,094	6,999,423
Net Position - Ending	\$ 169,335	\$ 6,820,568	\$ 6,989,903

City of Pierre  
Combining Statement of Cash Flows – Nonmajor Enterprise Funds  
Year Ended December 31, 2012

	Enterprise Funds		
	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
Cash Flows from (used for) Operating Activities			
Receipt from customers	\$ 84,618	\$ 1,163,864	\$ 1,248,482
Payments to suppliers	(72,546)	(562,907)	(635,453)
Payments to employees	(65,336)	(547,005)	(612,341)
Net Cash from (used for) Operating Activities	(53,264)	53,952	688
Cash Flows from (used for) Noncapital Financing Activities			
Loans (to) from other funds	(168,265)	-	(168,265)
Transfers from other funds	300,000	-	300,000
Transfers to other funds	-	(300,000)	(300,000)
Extraordinary item - flood expenditures	-	(2,072)	(2,072)
Net Cash from (used for) Noncapital Financing Activities	131,735	(302,072)	(170,337)
Cash Flows from (used for) Capital and Related Financing Activities			
Other receipts	-	1,658	1,658
Net Cash from (used for) Capital and Related Financing Activities	-	1,658	1,658
Cash Flows from (used for) Investing Activities			
Cash invested in reserve account	-	(9,021)	(9,021)
Cash received for interest	-	3,008	3,008
Net Cash from (used for) Investing Activities	-	(6,013)	(6,013)
Net Change in Cash and Cash Equivalents	78,471	(252,475)	(174,004)
Balance - Beginning	-	1,056,387	1,056,387
Balance - Ending	\$ 78,471	\$ 803,912	\$ 882,383

City of Pierre  
Combining Statement of Cash Flows – Nonmajor Enterprise Funds  
Year Ended December 31, 2012

	Enterprise Funds		
	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to			
Net Cash from (used for) Operating Activities:			
Operating income (loss)	\$ (40,994)	\$ (148,663)	\$ (189,657)
Adjustments to reconcile operating income (loss) to			
net cash from (used for) operating activities:			
Depreciation expense	12,394	242,310	254,704
Changes in assets and liabilities:			
Receivables	-	11,114	11,114
Inventories	(12,917)	(103,381)	(116,298)
Accounts and other payables	35	33,032	33,067
Accrued leave payable	(11,782)	19,540	7,758
Net Cash from (used for) Operating Activities	<u>\$ (53,264)</u>	<u>\$ 53,952</u>	<u>\$ 688</u>
Noncash Investing, Capital and Financing Activities:			
Loss on disposal of capital assets not affecting operating income	\$ -	\$ 847	\$ 847
Capital contributions	-	149,383	149,383
Receipt of fixed assets donated from other funds	-	29,005	29,005

City of Pierre  
Statement of Cash Flows – Discretely Presented Component Unit  
Year Ended June 30, 2012

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	<u>Housing and Redevelopment Commission</u>
Operating Activities	
Receipts from tenant payments	\$ 116,564
Payments to tenants through escrow	(600)
Payments to employees	(166,009)
Payments to others for goods and services	(208,572)
Payments in lieu of taxes	(5,581)
Housing assistance payments	<u>(522,629)</u>
Net Cash used for Operating Activities	<u>(786,827)</u>
Noncapital Financing Activities	
Operating grants received	562,268
Other revenue received	<u>20,054</u>
Net Cash from Noncapital Financing Activities	<u>582,322</u>
Capital and Related Financing Activities	
Acquisition of capital assets	<u>(35,635)</u>
Net Cash used for Capital and Related Financing Activities	<u>(35,635)</u>
Investing Activities	
Sales of certificates of deposit	73,066
Interest received	<u>5,861</u>
Net Cash from Investing Activities	<u>78,927</u>
Net Change in Cash	(161,213)
Cash Beginning of Year	<u>443,886</u>
Cash End of Year	<u><u>\$ 282,673</u></u>
Cash Consists of:	
Cash and cash equivalents	\$ 124,835
Restricted cash and cash equivalents	<u>157,838</u>
	<u><u>\$ 282,673</u></u>

City of Pierre  
Statement of Cash Flows – Discretely Presented Component Unit  
Year Ended June 30, 2012

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	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to	
Net Cash used for Operating Activities:	
Operating loss	\$ (861,518)
Adjustments to reconcile operating loss to	
net cash used for operating activities:	
Depreciation	77,723
Change in assets and liabilities:	
Accounts receivable - tenants	66
Accounts receivable - fraud	(1)
Prepaid expenses	(2,359)
Inventories	(308)
Accounts payable - vendor	1,854
Accrued expenses	(1,490)
Accrued compensated absences	56
Prepaid rents	(250)
Tenant security deposits	(600)
Net Cash used for Operating Activities	<u><u>\$ (786,827)</u></u>

City of Pierre  
Schedule of Expenditures of Passenger Facility Charges  
Year Ended December 31, 2012

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	Net Collected
First Quarter, 2012	\$ 9,093
Second Quarter, 2012	12,728
Third Quarter, 2012	16,323
Fourth Quarter, 2012	<u>11,950</u>
Total PFC Collections for 2012	50,094
Total PFC Collections for 2011	64,728
Total PFC Collections for 2010	59,124
Total PFC Collections for 2009	43,809
Total PFC Collections for 2008	53,314
Total PFC Collections for 2007	46,383
Total PFC Collections for 2006	57,317
Total PFC Collections for 2005	67,975
Total PFC Collections for 2004	72,726
Total PFC Collections for 2003	<u>51,697</u>
Total PFC Collections for 2003 - 2012	<u><u>\$ 567,167</u></u>
Total Allowable PFC	\$ 788,346
Net Collections to Date	<u>(567,167)</u>
Remaining Amount to Collect	<u><u>\$ 221,179</u></u>



City of Pierre  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures (Restated)
Department of Homeland Security			
Direct Federal Funding:			
Emergency Management Performance Grants	97.042	N/A	\$ 311
Indirect Federal Funding:			
SD Department of Public Safety Office of Emergency, Management Disaster Grant-Public Assistance (Presidentially Declared Disasters)	97.036	various	860,306
Total Department of Homeland Security			860,617
Department of Transportation			
Direct Federal Funding:			
Airport Improvement Program (3-46-0044-27, 30, 31, 32)	20.106	N/A	5,979,916
Indirect Federal Funding:			
Highway Safety Cluster			
SD Department of Public Safety			
State and Community Highway Safety	20.600	*****	8,640
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	*****	8,436
Total Highway Safety Cluster			17,076
SD Department of Transportation			
Federal Transit - Capital Investment Grants	20.500	811124 & 811027	511,396
Highway Planning and Construction Cluster			
SD Department of Transportation			
Highway Planning and Construction	20.205	713835	1,455,559
Recreational Trails Program	20.219	*****	80,000
Total Highway Planning and Construction Cluster			1,535,559
Total Department of Transportation			8,043,947
Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Health			
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	*****	14,000
Department of the Interior			
Direct Federal Funding:			
Historic Preservation Fund Grants-In-Aid	15.904	N/A	3,236
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note 2)	39.003	N/A	12,687
Total Expenditures of Federal Awards			\$ 8,934,487
***** "No" Pass-Through Entity Identifying Number Given			

**Note 1** This schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual/full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**Note 2** The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.

**Financial Statement Findings**

None

**Federal Award Program Findings**

None



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The City Commission  
City of Pierre  
Pierre, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pierre as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Pierre's basic financial statements, and have issued our report thereon dated September 27, 2013. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Commission of the City of Pierre, as described in our report on City of Pierre's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-A and 2012-B to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-C to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Pierre's Response to Findings**

City of Pierre's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
September 27, 2013



## **Independent Auditor's Report on Compliance for Its Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133**

The City Commission  
City of Pierre  
Pierre, South Dakota

### **Report on Compliance for Its Major Federal Program**

We have audited the City of Pierre's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2012. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Pierre's basic financial statements include the operations of the Housing and Redevelopment Commission of the City of Pierre, a discretely presented component unit, which received \$570,933 in federal awards during the year ended June 30, 2012 which is not included in the City of Pierre's schedule of federal expenditures for the year ended December 31, 2012. Our audit, described below, did not include the operations of the Housing and Redevelopment Commission of the City of Pierre because the Commission engaged other auditors to perform an audit in accordance with OMB Circular A-133.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pierre's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

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### **Opinion on its Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major Federal program for the year ended December 31, 2012.

### **Report on Internal Control over Compliance**

Management of the City of Pierre is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Pierre's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-001 that we consider to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota  
September 27, 2013

## Part I – Summary of Auditor’s Results

### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?       x       yes                      no
- Significant deficiencies identified that are not considered to be material weaknesses?       x       yes                      none reported

Noncompliance material to financial statements noted?                      yes       x       no

### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?                      yes       x       no
- Significant deficiencies identified that are not considered to be material weaknesses?       x       yes                      none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       x       yes                      no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs? \$ 300,000

Auditee qualified as low-risk auditee?       x       yes                      no

## Part II – Findings Relating to the Financial Statements

### 2012-A - Preparation of Financial Statements, Related Footnotes, and the Schedule of Expenditures of Federal Awards

#### Material Weakness

Condition: During the course of the audit engagement, the City of Pierre requested assistance from the auditors to draft the financial statements, the accompanying notes to those financial statements and a final schedule of expenditures of federal awards.

**Criteria:** An organization's internal control structure should be designed to provide for the preparation of complete and accurate financial statements and footnotes in accordance with generally accepted accounting principles.

**Cause:** The City of Pierre does not have an internal control system designed to provide for the correct and complete preparation of the financial statements including required footnotes, disclosures and the schedule of expenditures of federal awards.

**Effect:** The preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel.

**Recommendation:** This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

#### **Management's Response and Corrective Action Plan**

**Actions Planned in Response to the Finding:** Management will review for propriety the draft financial statements, footnotes, and schedule of expenditures of federal awards prepared by the auditor. Due to the City's size, we will accept the risk associated with this condition based on cost and other considerations.

**Explanation of Disagreement:** Management does not disagree.

**Official Responsible for Ensuring Corrective Action Plan:** Leon Schochenmaier, City Administrator

**Planned Completion Date for Correction Action:** September 30, 2013.

**Plan to Monitor Completion of Corrective Action:** Management will also continually monitor the availability of resources and capabilities to completely and accurately prepare the Financial Statements, Related Footnotes, and Schedule of Expenditures of Federal Awards..

#### **2012-B - Material Audit Adjustments (Including Correction of Errors)**

##### **Material Weakness**

**Condition:** During the course of our engagement, we proposed material audit adjustments to the City's recorded account balances, which if not recorded, would have resulted in a material misstatement of the City's financial statements. In addition, we proposed material audit adjustments related to prior year financial statements, which required the restatement of beginning equity balances.

**Criteria:** A system of internal accounting control contemplates accurate recording and presentation of amounts and disclosures in the financial statements.



**Cause:** The City does not have an adequate internal accounting control system to identify all relevant and material adjustments necessary to ensure that financial statements are in accordance with generally accepted accounting principles.

**Effect:** The lack of internal accounting control could result in the City's interim financial information being materially misstated.

**Recommendation:** We recommend training specific to governmental accounting principles so that staff are able to ensure financial statements are materially correct. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

### **Management's Response and Corrective Action Plan**

**Actions Planned in Response to the Finding:** Management will implement a system of internal accounting control to ensure financial statements are materially correct.

**Explanation of Disagreement:** Management does not disagree.

**Official Responsible for Ensuring Corrective Action Plan:** Leon Schochenmaier, City Administrator

**Planned Completion Date for Correction Action:** July 31, 2014

**Plan to Monitor Completion of Corrective Action:** Management will follow up on the system implemented for continued compliance.

### **2012-C - Compliance with South Dakota Codified Law (SDCL)**

#### **Significant Deficiency**

**Condition:** During the course of performing our audit, it was noted that for certain items tested, the City of Pierre was not in compliance with certain SDCL sections relating to (a) double signatures on warrants, (b) documentation of governing board approval to write off uncollectible receivables, (c) publishing the annual report within 30 days of being presented to the governing board, and (d) making a report of all outstanding checks over one year old by November 1<sup>st</sup>.

**Criteria:** The respective SDCL sections related to the topics mentioned in the condition paragraph are: (a) SDCL 9-23-7 for two signatures on a warrant, (b) SDCL 9-22-4 for governing board approval of receivable write offs, (c) SDCL 9-22-21 for publishing of the annual report, and (d) SDCL 43-41b-14, 18 related to reporting of old outstanding checks.

**Cause:** Management did not exercise sufficient oversight with respect to ensuring compliance with applicable SDCL provisions.

Effect: Non-compliance with the aforementioned SDCL provisions could result in unauthorized spending, unauthorized receivable write-offs, and insufficient reporting to constituents.

Recommendation: We recommend the City obtain a copy of the statutory checklist from the SD Department of Legislative Audit and review the SDCL provisions items applicable to municipalities to ensure future compliance.

#### **Management's Response and Corrective Action Plan**

Actions Planned in Response to the Finding: Management has obtained a copy of the statutory checklist from South Dakota Department of Legislative Audit and will review and integrate these items into the financial reporting schedule to ensure compliance.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator  
Planned Completion Date for Correction Action: December 31, 2013

Plan to Monitor Completion of Corrective Action: Management will continuously review the checklist and finance office procedures to ensure compliance.

### **Part III - Findings and Questioned Costs for Federal Award Programs**

#### **Significant Deficiency**

##### **Finding 2012 – 001 Reporting**

##### **Department of Transportation**

##### **Pass Through Entity – South Dakota Department of Transportation**

##### **Airport Improvement Grants – CFDA #20.106; Grant Period – Grant Year Ending December 31, 2012**

Criteria: A good system of internal control over the reporting compliance requirement for a federal program should include a review of the completed report by someone other than the preparer before it is submitted to the FAA.

Condition: The City's internal control structure over the reporting compliance requirement does not include a review by someone other than the preparer before submission.

Questioned costs: None

Effect: Reports submitted to grant agencies could contain undetected errors.

Cause: City internal controls over grant reporting did not include an independent review as being necessary.

Recommendation: We recommend that the City implement a review process whereby someone other than the report preparer (preferably the airport manager) reviews grant reports before submission.

Management's Response and Corrective Action Plan: Management will implement a secondary review of all federal financial information reported, prior to submittal.

Actions Planned in Response to the Finding: Management will implement a secondary review of all federal financial information reported, prior to submittal.

Explanation of Disagreement: Management does not disagree

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator

Planned Completion Date for Correction Action: December 31, 2013

Plan to Monitor Completion of Corrective Action: Management will continuously monitor the review of all financial reporting for compliance with this plan.